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Implementation of the outcome of the United Nations Conference on Human Settlements (Habitat II) and strengthening of the United Nations Human Settlements Programme (UN-Habitat)

Third United Nations conference on housing and sustainable urban development (Habitat III)

Report of the Secretary-General

Summary

In its resolution 64/207 of 21 December 2009, the General Assembly requested the Secretary-General, in collaboration with the Governing Council of the United Nations Human Settlements Programme (UN-Habitat), to prepare a report on the question of convening in 2016 a third United Nations conference on housing and sustainable urban development (Habitat III). Having taken note of the report of the Executive Director of UN-Habitat on convening a third United Nations conference on housing and sustainable urban development, the Governing Council, at its twenty-third session, invited the Assembly to deliberate further at its sixty-sixth session on the question of convening Habitat III in 2016. The present report, which is submitted pursuant to Assembly resolution 64/207 and Governing Council resolution 23/8 of 15 April 2011, makes the case for holding the Conference as a means of examining key developments that have emerged since the second United Nations Conference on Human Settlements, held in Istanbul from 3 to 14 June 1996, which include:

(a) The demographic dominance of cities, which now accommodate more than half of the world's population, and their much more dominant role as engines of national economic growth and development;

(b) The rapid spatial expansion of urban settlements, leading to the emergence of megacities, mega-urban regions, and increasing spatial and social fragmentation, poverty and inequality within cities;

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(c) The emergence of new global issues and forces, including high levels of internal and transnational migration, globalization, sustainable urban development, climate change, rising urban insecurity and crime, increasing destruction of human settlements by natural and human-caused disasters and conflicts, and rising informality within cities;

(d) The changing roles of the public, private and non-governmental sectors, that is, in terms of a shift from enabling policies, including deregulation, towards a resurgence of the role of the public sector in urban planning and development;

(e) The significantly increased frequency, intensity and impacts on cities of human-caused and natural disasters, and the much larger volume of operational work undertaken by UN-Habitat in post-disaster and post-conflict reconstruction and rehabilitation.

This report recommends that Habitat III be held to outline a new development agenda, one that can respond to the new challenges and the new role of cities. The conference should also consider ways to strengthen the institutional frameworks for housing and sustainable urban development. It concludes by making recommendations on the preparatory process for the conference, for consideration by the General Assembly.

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I. Introduction

1. The present report was prepared pursuant to resolution 64/207 of 21 December 2009, in which the General Assembly took note of the recommendation made by the Governing Council of the United Nations Human Settlements Programme (UN-Habitat) in its resolution 22/1.[1] Having considered the question of convening a third United Nations conference on housing and sustainable urban development (Habitat III) in 2016, the Assembly requested the Secretary-General to prepare a report on that question, in collaboration with the Governing Council of UN-Habitat, for its consideration at its sixty-sixth session.

2. While considering the report of the Executive Director of UN-Habitat on the convening of a third United Nations conference on housing and sustainable urban development (Habitat III), a number of representatives reiterated their support for the holding of such a conference in 2016, viewing it as offering an opportunity to assess the achievements of the previous two conferences, to reflect on progress made in urban development and to tackle the challenges that such development has posed. In its deliberations, the Governing Council, at its twenty-third session, recognized that, substantial progress had been achieved in human settlements at the national, regional and international levels over the past decade. It acknowledged, however, a need for an in-depth review and assessment of global progress made towards the attainment of the goals of the Habitat Agenda[2] and of other international goals relevant to human settlements. In its resolution 23/8,[3] the Governing Council, inter alia, invited the General Assembly to deliberate further at its sixty-sixth session on the question of convening, in 2016, a third United Nations conference on housing and sustainable urban development.

3. The present report has been prepared pursuant also to Governing Council resolution 23/8 in order to provide an update on progress made in implementing the Habitat Agenda and the Istanbul Declaration on Human Settlements,[4] the main outcomes of the United Nations Conference on Human Settlements (Habitat II), held in Istanbul from 3 to 14 June 1996, and the Declaration on Cities and Other Human Settlements in the New Millennium,[5] and other international goals relevant to human settlements. It also makes the case for holding Habitat III.

II. Overview

4. It is more than 15 years since the second United Nations Conference on Human Settlements (Habitat II), which culminated in the adoption of the Istanbul Declaration on Human Settlements and the Habitat Agenda, documents setting out goals and principles, commitments and a global plan of action for achieving the twin goals of adequate shelter for all and sustainable human settlements development in an urbanizing world. While significant progress has been made in many regions of

[1] See A/64/8, annex I, sect. B.

[2] *Report of the United Nations Conference on Human Settlements (Habitat II), Istanbul, 3-14 June 1996* (United Nations publication, Sales No. E.97.IV.6), chap. I, resolution 1, annex II.

[3] See A/66/8, annex, sect. B.

[4] *Report of the United Nations Conference on Human Settlements (Habitat II), Istanbul, 3-14 June 1996* (United Nations publication, Sales No. E.97.IV.6), chap. I, resolution 1, annex I.

[5] General Assembly resolution S-25/2, annex.

the world towards achieving these goals, today more than ever before. Governments are facing major urban challenges, as a result partly of the failure of previous policies and partly of the rapid urbanization and emergence of mega-urban regions, together with the advent of new challenges such as globalization, global economic crises, rising urban crime and violence, and climate change.

5. Cities and urban centres, which have become engines of economic development, are both central to the value chain of production and consumption, defining social, political and economic relations, and responsible for large proportions of countries' gross domestic product (GDP). Cities have become crucial to achieving national, regional and global development and promoting sustainable urban development. Indeed, urban centres are now the dominant habitat for humankind. Yet, cities, particularly in developing countries, are beleaguered by poverty, insecurity and increasing informality and slum formation which adversely affect their contribution to national development.

6. The shift in the role and configuration of the city, in addition to the urbanization of poverty (characterized by the global rise of slums), has become more pronounced over the past decade, thus impinging significantly on the commitments and the full realization of the goals and outcomes identified in the Habitat Agenda. The evolution of new synergies, the development of new relationships in cities, and new advances in science, technology and business systems have also affected the expected outcomes of Habitat II. New scenarios have emerged that require new responses, although progress in respect of the normative underpinnings of the Habitat Agenda has been beneficial.

7. In 2001, five years after the adoption of the Istanbul Declaration, a major review was conducted of the implementation of the Habitat Agenda, resulting in the adoption on 9 June 2001 of the Declaration on Cities and Other Human Settlements in the New Millennium. Even at that early stage, the irreversibility of urbanization was confirmed and the prospect of a rapidly increasing process of urbanization was recognized. The main response, however, was to reaffirm the Istanbul commitments and to call for the efforts agreed upon earlier to be redoubled to achieve the twin goals of the Agenda. Today, the magnitude of those challenges and the precarious situation faced by an ever-growing proportion of the global population has been considerably amplified. The balance of forces has altered and new issues and opportunities have emerged. Indeed, this new phase urgently requires a review of the global urban agenda.

8. The changes that have taken place in the internal dynamics of the city are not the only driving force behind the need for review. The implementation of the Habitat Agenda over the past 15 years underlines a need to take stock of the lessons learned and goals achieved through an array of policies and strategies, in addition to the setbacks experienced. There have been changes of approach: first, from a fragmented and sectoral implementation of the Agenda, to an integrated effort which establishes links within the dynamics of an urban setting. Second, there has been a switch from policies designed to deregulate the housing market, towards more direct public sector approaches, embraced by some Governments and non-State actors, aimed at reinforcing the Agenda's commitment to the full realization of the right to adequate housing. Third, greater emphasis is now laid on sustainable urban development within the overall context of sustainable human settlements development. The implications of these shifts are quite profound, particularly in an

era marked by globalization, climate change and increasing decentralization and transfer of responsibilities to city governments.

9. At the dawn of the twenty-first century — a century recognized as the century of the city — there is an urgent need to revisit the Habitat Agenda and its implementation so as to prevent this new century from becoming the century of slums. The proposed third United Nations conference on housing and sustainable urban development will provide a forum for serious consultations between Governments and Habitat Agenda partners on the world's urban future, a future certain to be characterized by unprecedented challenges and serious risks.

10. Charting that urban future will need to take into account the following key changes that have emerged since the 1996 second conference:

(a) The demographic dominance of cities, which now accommodate more than half of the world's population, and their much more dominant role as engines of national economic growth and development;

(b) The rapid spatial expansion of urban settlements, leading to the emergence of megacities, mega-urban regions, extensive urban corridors, and often chaotic peri-urban areas, in addition to increasing spatial and social fragmentation, poverty and inequality within cities;

(c) The emergence of new global issues and forces, including internal and transnational migration, globalization, sustainable urban development, climate change, rising urban insecurity and crime, increasing destruction of human settlements by natural and human-caused disasters and conflicts, and rising informality within cities all over the world;

(d) The changing balance among the roles of the public, private and non-governmental sectors, reflecting the shift from enabling policies and strategies, including deregulation, towards a resurgence of the role of the public sector in urban planning and development;

(e) The significantly increased frequency and intensity of human-caused and natural disasters and of their impacts on cities, as well as the much larger volume of operational work undertaken by UN-Habitat in post-disaster and post-conflict reconstruction and rehabilitation.

11. In the following sections, additional information is provided on the issues raised above.

III. The urban age

12. The global urban transition witnessed over the past decades has been phenomenal, presenting Governments and local authorities with unprecedented challenges. In 2008, for the first time ever, over half of the world's population was living in urban areas and, according to current projections, this figure will rise to 70 per cent by 2050. Almost all of this growth will take place in developing countries. Between 2007 and 2025, the annual urban population increase in developing countries is expected to be 53 million (or 2.27 per cent), compared with a mere 3 million (or 0.49 per cent) in developed countries.

13. Generally, urban centres have become vibrant instruments for economic, social and human development. They attract investment and create wealth. They enhance social development and harness human and technological resources, resulting in unprecedented gains in productivity and competitiveness. Indeed, cities have become the repositories of knowledge and agents of social, political and economic change.

14. While the vibrancy associated with urban development has become more prominent in large cities, some of which have become megacities or sprawling mega-urban regions, the bulk of urban growth has been taking place in small and medium-sized cities, mostly with populations of less than 500,000 people. Indeed, it is estimated that, as early as 2005, almost half of the global urban population already lived in cities of that size and the pattern is set to continue in the immediate future. The paradox of this spatial demographic phenomenon lies in the fact that such small urban centres suffer from an acute lack of the managerial resources and institutional capacities required to cope with the new challenge arising from their being the dominant urban habitat.

15. At the same time, cities have also become a locus of increasing poverty and deprivation. This is a particular problem in much of the developing world, where rapid and unmanaged urbanization is accompanied by slum formation, poorly built housing, increasing poverty and vulnerability to human-caused and natural hazards, in addition to growing inequalities, all of which pose serious threats to human security and safety and national development and social cohesion. In 2010, 828 million urban-dwellers in the developing world were living in slums, deprived of the most basic amenities such as water, sanitation, security of tenure, durable housing and sufficient living space. Some countries have succeeded in reducing the proportion of slum-dwellers in the total urban population. In absolute terms, however, the number of urban slum-dwellers has been increasing globally and will continue to increase if no concerted action, involving national and local governments, non-governmental and community-based organizations and the international community, is taken. If this situation persists, it could become a major threat to social stability and global peace and security.

16. While the spatial and scale factors were implicitly addressed in the Habitat Agenda, the speed with which change and institutional realignment have taken place, together with the all encompassing nature of urbanization, marks a new state of affairs. Change is occurring at so swift a rate as to be almost overwhelming. The procedures for developing land, providing housing, delivering basic services, creating employment and facilitating urban mobility have to be drastically improved to ensure the attainment of the critical balance between demand and supply.

17. With regard to the all-encompassing nature of urbanization, the rise of the city within the national institutional framework has led to the emergence of new relationships and even new politics. Twenty years ago, providing the impetus lay with national Governments, charged by the Habitat Agenda to take a leading role in enabling other key stakeholders to play an effective role. It is evident today that this responsibility for building partnerships and achieving lasting results is being delegated to city authorities. Other stakeholders, including from the private sector, such as banks and developers, in addition to civil society groups, are vigorously asserting themselves and are thus contributing to the overall dynamism of urban development.

IV. Milestones in sustainable urbanization and international responses

18. While the conclusions reached at the first United Nations Conference on Human Settlements, held in Vancouver, Canada, from 31 May to 11 June 1976, clearly defined urbanization as a challenge in need of control, the second conference 20 years later regarded urbanization and the cities resulting therefrom as offering an opportunity and engines for growth. The Istanbul Declaration identified two goals: adequate shelter for all and sustainable human settlements in an urbanizing world.

19. The Millennium Summit, convened in New York from 6 to 8 September 2000, resulted in the adoption by the General Assembly of the United Nations Millennium Declaration,[6] which implicitly endorsed the goal of "Cities without slums" and formed the basis for the Millennium Development Goals, a group of eight time-bound international targets relevant to sustainable development which provided a further impetus to the implementation of the Habitat Agenda. The focus on poverty eradication and environmental sustainability mirrored that of the Habitat Agenda.

20. In 2001, at the sixth plenary meeting of the twenty-fifth special session of the General Assembly to review the implementation of the Habitat Agenda, the representatives of Governments reaffirmed their will and commitment to implementing fully the Istanbul Declaration on Human Settlements and the Habitat Agenda. The review process revealed important findings: countries were becoming increasingly interdependent and cities more competitive; and urbanization and globalization had both accelerated since the second United Nations Conference on Human Settlements and were contributing to both increased prosperity and urban poverty in some regions.

21. The Habitat Agenda was also a point of reference for the World Summit on Sustainable Development, held in Johannesburg, South Africa, from 26 August to 4 September 2002. Participants at the Summit reaffirmed that sustainable development was a central element of the international agenda and gave new impetus to global action to fight poverty and protect the environment. They recognized the phenomenon of urbanization as part of the sustainable development equation to a greater degree than had participants at previous international meetings on sustainable development. They reaffirmed the Millennium Development Goal target of improving the lives of slum-dwellers and access to safe drinking water and to basic sanitation as essential to promoting urban well-being.

22. Water, sanitation and sustainable human settlements were also considered at the twelfth and thirteenth sessions of the Commission on Sustainable Development in 2004 and 2005. The reports of the Secretary-General on sustainable human settlements development provided the basis for the Commission's review of and conclusions on progress made at all levels to attain the human settlements goals and targets contained in Agenda 21,[7] the Programme for the Further Implementation of Agenda 21,[8] and the Plan of Implementation of the World Summit on Sustainable

[6] See General Assembly resolution 55/2.

[7] *Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992*, vol. I, *Resolutions adopted by the Conference* (United Nations publication, Sales No. E.93.I.8 and corrigendum), resolution 1, annex II.

[8] General Assembly resolution S-19/2, annex.

Development.[9] The operationalization of the Habitat Agenda was given further impetus by the outcome of the High-level Plenary Meeting of the sixtieth session of the General Assembly, at which the Assembly recognized the urgent need for the provision of increased resources for affordable housing and housing-related infrastructure, prioritizing slum prevention and slum upgrading; and encouraged support for the United Nations Habitat and Human Settlements Foundation and its Slum Upgrading Facility.[10]

23. There have been a continuing convergence of the environmental and the human settlements agendas, and remarkable progress in the regulations that underpin the Habitat Agenda, reflecting a deeper understanding of the notion of sustainable development.

24. It is worth noting that, while there have been fewer global conferences since 2005 focusing specifically on cities and human settlements, consultations have continued to take place within the framework of the General Assembly. The decade-long consultations that ultimately led to the approval by the Governing Council of guidelines on decentralization and strengthening of local authorities, in its resolution 21/3 of 20 April 2007,[11] is one example of such a process. Similarly, there have been other channels, such as the World Urban Forum, held every two years, which is now a major non-statutory conference of partners that tackles emerging issues relevant to the Habitat Agenda. Moreover, the Secretary-General has presented regular progress reports on human settlements to the Assembly, to which the Assembly has responded, often by adopting resolutions. The Governing Council of UN-Habitat has also sustained this momentum by adopting several resolutions on key elements of the Habitat Agenda, notably: the right to adequate housing; guidelines on access to basic services for all; public-private partnerships to finance affordable housing; and cities and climate change.

V. Performance review

25. A comprehensive review of the Habitat Agenda was undertaken nine years ago, during the twenty-fifth special session of the General Assembly for an overall review and appraisal of the implementation of the outcome of the United Nations Conference on Human Settlements (Habitat II) and the strengthening of UN-Habitat. While the assessment was generally positive, some obstacles were highlighted. In terms of policy, institutions and programmes, there is evidence of concerted efforts by countries to live up to the commitments and to take specific measures in line with the global plan of action contained in the Habitat Agenda. The cumulative impact of all the interventions has not, however, been sufficient to realize the goals of adequate shelter for all and sustainable human settlements development.

26. The UN-Habitat report entitled *State of the World's Cities 2010/2011: Bridging the Urban Divide*[12] confirmed that, over the past 10 years, the share of the urban population living in slums in the developing world has fallen from 39 per cent (in

[9] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

[10] See General Assembly resolution 60/1, para. 56 (m).

[11] See A/62/8, annex I.B.

[12] London, Earthscan, 2010.

2000) to 33 per cent (in 2010). On a global scale, this is cause for optimism. That more than 200 million slum-dwellers have gained access to improved water, sanitation or durable and less-crowded housing shows that countries and municipal governments have made serious attempts to improve slum conditions. In absolute terms, however, the number of slum-dwellers in the developing world has actually grown and will continue to rise in the near future. The progress made has not been sufficient to offset the growth of informal settlements in the developing world, where the number of urban residents living in slum conditions is now estimated at some 828 million, compared with 657 million in 1990 and 767 million in 2000.

27. In terms of future projections, it is estimated that close to 3 billion people, or about 40 per cent of the world's population, will need new housing and basic urban infrastructure and services by 2030. Assuming an average household size of five people, 565 million new housing units will be needed. If this number is broken down on an annual basis for the period 2003-2030, approximately 20 million housing units per year will be required.

28. With regard to housing provision, there was a noticeable retreat of the State and an increasing reliance on the private market as a result of changes in public policies and cuts in government expenditure. Housing was no longer a political priority and the market failed to provide affordable and adequate housing opportunities for low-income households. The impact on cities has been severe and far-reaching. First, the interdependence of the housing sector with other parts of the economy and its role in reducing poverty and generating employment were not recognized. Second, informal land and housing developments became engines of cities' growth, which in turn drove slum growth, resulting in disastrous effects on the urban spatial structure and residents' quality of life. Third, self-organizing initiatives involving international and national non-governmental organizations multiplied, accompanied by the creation of urban poor federations and savings groups, whose goal was to provide those excluded from formal housing finance and limited public housing programmes with access to serviced land and housing. Lastly, Habitat Agenda partners worldwide embraced the Agenda's commitment to defending the right to adequate housing. This has influenced legal and constitutional reforms and the design of targeted subsidy programmes, and encouraged advocacy groups to improve the housing conditions of the poor.

29. Nevertheless, access to land and housing remains limited and participants at the regional ministerial conferences on housing for Asia, Africa and Latin America are calling for broad housing reforms and a new generation of housing and land policies. The proposed third United Nations conference on housing and sustainable urban development would provide a much-needed opportunity to re-examine previous approaches and adopt a new global housing strategy, one that is more inclusive, rights-based, financially creative and in line with green building practices and environmental sustainability.

30. With regard to social development and the eradication of poverty, some progress has been made in tackling the phenomenon widely observed during the five-year review — that is, the urbanization of poverty and, more particularly, its feminization. In various developing countries, steps have been taken to facilitate access to land and improve its security, particularly for women, to foster social inclusion and integration and to embark on poverty eradication programmes. Nevertheless, the urbanization of poverty persists and the phenomenon has been

compounded recently by increasing inequalities in income, and in access to services and, more particularly, by a lack of opportunities.

31. With regard to urban environmental management, significant progress has been made in managing and controlling pollution through liquid and solid waste management technologies and innovations in recycling and protection of vulnerable ecosystems through planning and regulatory controls. The notion of an ecological footprint of cities has emerged, and a distinction has been made between what are known as the "brown" agendas and the "green" ones, demonstrating concern at the phenomenon of urban growth and its impact on the surrounding environment. The brown agenda remains a complex issue for many developing countries, although there has been progress in reconciling it with the green agenda. The renewed debate on the role of planning and the impact of climate change has brought this question to the fore. Cities are encouraged to adopt low-carbon growth patterns of urbanization, where improvements in living standards are not made at the expense of its ecological and carbon footprint.

32. As stated above, cities are responsible for most of the GDP of many countries and have assumed a pivotal role in national and global development. The process of globalization has created hierarchies of cities, tenuously interlinked through production, trade, services and administration. Generally, this economic dynamism is not shared equally among cities in a particular country or, more significantly, among regions. The starkest inequalities in cities are to be seen in the context of the economic development that has taken place over the past 15 years.

33. More initiatives have been taken to improve urban governance. Institutional changes designed to ensure subsidiarity, civil society participation, transparency and accountability have been introduced worldwide. Decentralization policies have been adopted and have strengthened municipal autonomy and city governments in both developed and developing countries. Innovative processes, such as participatory budgeting, are being disseminated for adaptation worldwide. New partnerships and business arrangements have evolved and are helping to improve efficiency and effectiveness.

34. These positive changes notwithstanding, the role of local authorities in developing countries, particularly in urban management, remains generally weak. Political and administrative decentralization has not been followed by fiscal autonomy, meaning that local authorities remain relatively deprived of financial resources and dependent on resources originating from intergovernmental transfers. National institutions continue to dominate, using most of the revenue generated and remaining responsible for most of the expenditure. In many parts of the world, there has been modest progress in respect of citizen participation in decision-making processes, in addition to implementing and even monitoring and evaluating public policies, but decentralization needs to be taken further.

35. Lastly, with regard to international development, laudable measures have been taken to implement the Habitat Agenda. The transformation of the former United Nations Centre for Human Settlements into a full United Nations programme, the United Nations Human Settlements Programme (UN-Habitat), has strengthened capacity to monitor and implement activities and honour commitments. For almost a decade, substantial resources have been provided to carry out activities and to support initiatives for exchanging and sharing experiences and best practices.

36. The rapid pace of urbanization over the past five years and the growing number of problems faced by cities have not, however, been matched by increased aid from development partners to Governments and cities. On the contrary, aid has actually decreased. The Habitat Agenda, and the urban agenda in particular, has received inadequate support and many bilateral development agencies have downsized or even ended their urban programmes.

VI. Current and emerging urban challenges

37. Implementing the Habitat Agenda and achieving its goals has been affected not only by the approaches adopted, but also by the new issues that have emerged over the years.

A. Climate change and urban risks

38. It is acknowledged that cities are a major producer of greenhouse gases. They therefore have a key role to play in mitigating greenhouse gas emissions and adapting to climate change, in addition to promoting energy efficiency through more appropriate land-use planning, new urban spatial patterns, more efficient urban management and green building practices.

39. Millions of people are already, or will be, affected by climate change. Urban areas, which typically have high concentrations of populations and buildings, are particularly vulnerable. Cities located in coastal areas, along riverbanks, on steep slopes or in other disaster-prone areas are particularly vulnerable to global warming and to the growing threat of extreme weather events and rising sea levels. It is worth noting that coastal cities are particularly vulnerable to cyclones, which have been more frequent and intense over the past three decades. Climate change is expected to compound the overall vulnerability of urban areas through rising sea levels, more frequent and intense extreme weather events, and inland flooding, among other challenges. Conversely, areas where climate change is expected to reduce rainfall may be affected by drought, shrinking water tables and food scarcity.

40. In urban areas, the poor are the most vulnerable to the effects of climate change, particularly slum-dwellers in developing countries. High urban land and housing costs are pushing low-income households into locations that are prone to natural hazards, increasing their vulnerability and encouraging perverse urbanization patterns. Four of every 10 non-permanent houses in the developing world are now located in areas threatened by floods, landslides and other natural disasters. Significantly, such disasters are only partly the result of natural forces: they are also products of failed urban management and planning and limited capacities to enforce regulations and control development activities. Paradoxically, disasters can also create opportunities; recovery and reconstruction offer a unique chance to re-evaluate past practices and rewrite development policies for disaster-prone areas, thereby building the capacities to counteract, mitigate and forecast the effects of natural disasters.

41. In response to increasing urban risks, the volume of operational work carried out by UN-Habitat in post-disaster and post-conflict reconstruction and rehabilitation has increased significantly since the second United Nations

Conference on Human Settlements (Habitat II). Most of the post-disaster and post-conflict programmes and projects are demand-driven and the voluntary financial contributions made by donors for this work now constitute a significant proportion of the UN-Habitat annual budget.

42. Climate change is a driving factor in rural-urban migration, with droughts, desertification and soil erosion leading people to settle on fragile land and in informal settlements on the periphery of cities or in crowded slum areas in the urban centre. Overcrowded and under-serviced settlements and urban neighbourhoods leave millions exposed to health risks and both human-caused and natural disasters.

43. Another major concern is urban sprawl: the expansion of suburbia and informal settlements on peri-urban lands. Cities have in about half a century invaded their surrounding environments, threatening natural resources and increasing commuting distances and dependence on private cars. This phenomenon has had an adverse impact on the ecological footprint of cities and has encouraged the use of oil as an energy source, thus increasing greenhouse gas emissions. This sets new imperatives for housing policies, urban planning and design, especially in terms of types of housing, urban density and transport both within and between cities.

B. Slum prevention and slum upgrading: housing matters

44. Given that, today, one third of urban-dwellers in developing countries, or one sixth of the world's population, live in slum conditions, with the threat of this figure doubling over the coming 20 years, the problem of slums and access to serviced land and housing remains one of the greatest challenges facing cities in the twenty-first century. On the one hand, slum housing needs to be tackled through a range of improvements and upgrading programmes. The biggest change during the past 15 years was a move from neighbourhood-based to city-wide slum upgrading programmes, in an effort to gain scale and integrate these areas into the cities' formal, legal, institutional and urban planning and management frameworks. On the other hand, however, slum prevention strategies have fallen short and have not been utilized in tandem with slum upgrading policies.

45. Slum prevention can succeed only if there are policies in place designed to make a wide range of housing opportunities and serviced land available to all segments of the population. Progress has been slow and timid during the past 15 years. Enabling the housing sector to work effectively is therefore critical for slum prevention. This is the greatest challenge for the future. Given the need to provide housing opportunities on an appropriate scale, at an affordable price, with houses of different size, price and type, and in suitable locations vis-à-vis access to employment and income-generation, housing is likely to affect the future of cities, directly influencing their ecological and economic footprints and their overall sustainability.

46. The scale of supply is fundamental, as it affects housing prices and the overall performance of the housing market. Effectiveness in this regard is likely to lead to greater choice and affordability and prevent slum formation by providing viable alternatives to informal land and housing developments. Enabling the housing sector to operate effectively and play its role is therefore likely to have a direct effect on cities' sustainability. Inclusion of the housing sector in urban planning and management and the institutional and policy reforms dealing with land delivery,

investments in infrastructure and municipal finance, will enable a new generation of urban policies to be shaped. Links with economic sectors will be strengthened, leading to job creation, local economic development and poverty reduction.

C. Economic development challenges

47. Processes of globalization and economic restructuring in recent decades have affected urban labour markets, which show a growing polarization of occupational and income structures (and hence growing income inequality) caused by the growth of the service sector and the decline of manufacturing in developed economies, with their important gender dimension, as women have increasingly moved into paid employment.

48. The global economic crisis, which began in the housing finance sector in 2008, has accelerated economic restructuring and unemployment in all parts of the world, with a direct impact on urban labour markets, causing rapid growth in the urban informal economy in all regions. Informal sector jobs account for more than half of all employment in Africa and in Latin America and the Caribbean, and a little less in Asia. Among the most significant urban challenges that Governments have to tackle in the next few decades, especially in developing countries, are increasing poverty and inequality, in addition to the rapidly expanding urban informal sector and the growing social insecurity affecting the majority of citizens engaged in informal or small businesses.

D. Social and spatial challenges

49. New spatial forms and processes have emerged, whose drivers often lie outside the control of local governments. Social and spatial change appears to have taken place primarily in the direction of the fragmentation, separation and specialization of functions and uses within cities. This is reflected in growing differences between wealthier and poorer areas, both residential and industrial, in both developed-country and developing-country cities. While much of this represents the playing out of market forces in cities, reflecting the logic of real estate and land speculation, it is also a response to local policies that have sought to position cities globally so as to attract new investment through competitive city approaches. In some parts of the world, including in Latin American and Caribbean cities, fear of crime has increased urban fragmentation as middle- and upper-income households segregate themselves into gated communities.

50. In many poorer cities, creation of spatial forms is largely driven by the efforts of low-income households to secure land that is affordable and in a location close to employment and other livelihood sources. This process is leading to entirely new urban forms as the countryside itself begins to urbanize. In fact, the bulk of rapid urban growth in developing countries is now taking place in unplanned peri-urban areas, some of them beginning to connect distant urban centres through huge urban corridors.

51. The integration of migrants in an urban context has to be recognized as a unique challenge brought about by rapid urbanization and technological advancements. Local responses have varied from fostering a process of cultural assimilation, through the creation of cultural "melting pots", to providing for the

evolution of "cultural mosaics". It is clear that, in all cases, this ever-connected and interdependent world cannot afford exclusivity, isolationism or segregation. It must be noted that cultural diversity often enhances creativity within communities, strengthens social cohesion and contributes to cross-cultural relations and international peace and security.

E. Insecurity and crime

52. It is also useful to include among the emerging issues the spectres of crime and terrorism, which are now part of the daily consciousness of many citizens. Security is a major consideration in the design of buildings. Travel, information systems, the packaging of goods and even relations between individuals are all affected by the threat of crime and insecurity.

53. In many cities, domestic or armed violence, gang murders and kidnapping are facts of life. Fearful urban societies are responding with short-term solutions, such as gated communities and private security firms, which are options unavailable to the urban poor. Fear of crime is creating an atmosphere of urban paranoia, with some cities almost failing to function normally. This situation exacerbates urban informality, exclusion, extralegality, unlawfulness and incivility.

54. Crime and violence have negative repercussions on cities' economies: jobs are lost, as are local or global investments. Socially, the quality of life of local populations is affected dramatically. In cities in which crime is rife, public and private manufacturers and service providers have to bear extra costs which adversely affect the poor, who cannot afford to incur such costs.

55. While all the aforementioned issues were covered in the Habitat Agenda, they have recently become more urgent. The worsening situation has hampered the achievement of the goals set out in the Agenda and has even eroded some of the progress made.

VII. Future challenges and opportunities for sustainable urbanization

56. It must now be asked what direction global urban development will take over the coming 25 years and what the main indicators are that can help Governments and their private sector and local partners, in addition to the international community, prepare for the urban future.

57. These and other pertinent questions need to be answered as the 20-year anniversary of the Habitat Agenda looms. Humankind has become an urban species. Globally, this stage has coincided with a severe backlog in meeting the needs and demands for housing, basic services and infrastructure, in addition to means of generating livelihoods. Current urban trends are characterized by increased inequality, which often degenerates into alienation and the marginalization of the majority at the hands of the minority. The new issues and challenges identified above will make the urban agenda a global priority.

58. In the short and medium terms, there are two basic scenarios. In the first, cities fail to meet future needs as a result of a lack of necessary resources and a failure to

set political priorities. In less than a generation, some 2 billion people could end up living in substandard housing and overcrowded informal settlements. Slums will proliferate and poorly planned cities and dysfunctional metropolitan regions will constitute the dominant urban pattern in Africa, Asia and Latin America. At the same time, many urban areas in the northern hemisphere will continue to shrink and lose their economic vitality as a result of suburban sprawl, ageing populations and deindustrialization. Many people living in poorly planned urban areas will lack access to adequate housing and basic services. Few will be recognized as urban citizens and many will end up working in the informal economy or enter criminal circles. Fewer still will realize their productive potential.

59. The other scenario is one where the urban challenges rise to the fore of public policy and are matched with public and private investments in responsible urban growth, including robust housing policies coupled with rational land-use planning and improved urban infrastructure and basic services, in addition to the full exploitation of technology, so as to reduce and halt current rates of slum formation and contain the ecological footprint of cities. This will also require stable, flexible and effective institutions that can make sense of and address the complex interrelated issues. The emerging paradigm is one of greener, more resilient and liveable cities, which create job and business opportunities that are sources of decent work and livelihoods and lift millions of people out of poverty and inadequate housing. This will have to be accompanied by systemic interventions and bold reforms capable of meeting the need for accelerated, broad and equitable access to land, housing and basic infrastructure and services.

60. The social, economic and environmental consequences of these two scenarios are quite evident and easy to comprehend. Meanwhile, hundreds of cities and towns are each in its own way grappling with the issue of how to manage urbanization and address its key challenges, whether in the form of urban sprawl, urban decay, shrinking cities or slum formation. Some are achieving success against great odds.

61. Increasingly, Governments are beginning to promote national policies aimed at making municipal and local action for sustainable urbanization possible. Their efforts remain, for the most part, piecemeal, however. Hundreds, perhaps thousands, of organizations, are setting precedents, developing tools and offering policy options designed to meet the urban challenge, yet these actions are disparate. Their work is rarely recognized or assessed and the collective impact of their actions is not realized and, more importantly, they rarely reach the scale required to face the challenges.

62. Regardless of the unknown challenges that future urban societies will face, they will have to develop new capacities to achieve sustainable urban development, become resilient and act on the basis of incomplete and imperfect understanding and information. Well-informed and evidence-based policies need to be nurtured, capacities strengthened and new instruments and participatory tools developed and tested.

63. Concerted efforts need to be made to consolidate and reinforce the participation of a multitude of actors and stakeholders and to coordinate their actions in order to tackle the urban challenges of tomorrow. Every urban-dweller is a key actor in determining the way in which urban areas will develop and perform in the twenty-first century. Central, regional and local governments, together with civil society, the private sector, academic institutions and urban citizens and their grass-roots organizations, should all rally around the goal of sustainable urban

development. Cooperation and solidarity are essential to overcoming these challenges and bringing them to the attention of the international community at the proposed third United Nations conference on housing and sustainable urban development. These are the main reasons why convening the conference is so important and timely.

VIII. Essence of the third conference

64. The third United Nations conference on housing and sustainable urban development will focus on the theme of "urban futures", providing likely urban trajectories and scenarios and an evaluation of the period since the second conference, so as to determine the urbanization challenges and opportunities facing cities in the new millennium, and how the United Nations, and particularly UN-Habitat, should support stakeholders, including Governments, in achieving sustainable urban development. While the outcomes of the second conference constituted essentially a national-local agenda, the third conference will consider mechanisms for global implementation and reporting, in addition to international conventions for tackling some dimensions of sustainable urban development, such as climate change.

65. Through enhanced sustainable urban development networks, the conference will bring together cities, Governments, civil society, the private sector, academic institutions and interest groups to review urban and housing policies within an international governance architecture, and draft a new urban agenda, one that recognizes the ever-changing dynamics of human civilization.

66. The conference will benefit from city authorities' recent experiences and their partnerships with various stakeholders, including city-to-city partnerships, the private sector and various types of grass-roots federations, all of which demonstrate potential approaches for creating greener, more resilient and more liveable cities with vibrant urban economies and equitable access to land, housing and basic services and infrastructure. Global monitoring of and research into current urban situations will form the basis of the road map for the conference and the discussions thereat.

67. At the conference, agreement will be sought: on consolidating lessons learned from previous programmes; on scaling up programmes that use best practices to tackle the critical lack of housing, land and basic services and infrastructure; on mobilizing resources for specialized technical assistance for sustainable urban management and the design and implementation of slum prevention strategies; on creating networks between urban and other sustainable development sectors in order to tackle issues that are generally addressed through fragmented and unproductive sectoral approaches; and on producing effective government and city responses to emerging challenges, such as climate change and urban insecurity and crime.

IX. Conference objectives

68. The objectives of the conference are fivefold:

(a) To undertake a comprehensive critical review and assessment of the implementation of the Habitat Agenda, the Declaration on Cities and Other Human

Settlements in the New Millennium and the relevant internationally agreed development goals;

(b) To identify major constraints hindering the implementation of the goals set forth in those outcomes;

(c) To tackle new challenges and opportunities that have emerged since the second conference, including climate change, the proliferation of slums, and urban safety and security;

(d) To outline a new development agenda that is capable of responding to the new challenges and strengthening the new role of cities and relevant institutional frameworks in sustainable urban development and housing;

(e) To assess and redefine the governance structure of UN-Habitat and of its strategic development partners in the new development approach.

X. Draft schedule of the conference

69. A possible schedule would begin with an organizational session of the preparatory committee, to be held in Nairobi in 2013. The first session of the preparatory committee would be held in 2014, followed by regional and subregional meetings; the second session in 2015; and the conference itself in 2016, at a location to be decided.

XI. Conclusion and recommendations

70. Some 15 years after the adoption of the Istanbul Declaration and the Habitat Agenda, today more than ever before, the international community is facing major urban challenges and enormous opportunities. Significant progress has been made towards attaining the goals of the Habitat Agenda and the Declaration on Cities and Other Human Settlements in the New Millennium. There have also, however, been setbacks and problems. New issues have emerged and the relationship between key sectors of society has evolved. Another conference on human settlements needs to be held to assess the ability of the international community to confront the new urban future, with its associated difficulties and opportunities.

71. Although a few global conferences have been held within the framework of the United Nations system to tackle urban issues during the intervening years, they have focused on specific aspects of urban development and were generally attended by representatives of national Governments. It is now becoming clear that the experience of various sectors should be included and a more holistic approach to sustainable urban development adopted. To achieve this, a stronger, collective pact will need to be struck.

72. In view of the above, it is recommended that the General Assembly:

(a) Call upon Governments, organizations of the United Nations system and all Habitat Agenda partners to recognize, deepen and renew their commitments to sustainable urban development and housing development by increasing their efforts to implement the Habitat Agenda and the Istanbul Declaration on Human Settlements, the Declaration on Cities and Other Human Settlements in the New

Millennium, and other international goals relevant to sustainable urban development;

(b) Call upon Governments to continue providing their support to UN-Habitat and, in this regard, to contribute to the United Nations Habitat and Human Settlements Foundation in support of enhanced implementation of the Habitat Agenda and the Istanbul Declaration on Human Settlements, the Declaration on Cities and Other Human Settlements in the New Millennium, and other international goals relevant to sustainable urban development;

(c) Invite Governments to discuss and decide on the proposal of convening, in 2016, a third United Nations conference on housing and sustainable urban development (Habitat III);

(d) Also invite Governments to provide guidance on both the substantive aspects and the organizational modalities for the conference. It is also recommended that the agenda to be considered should include ways and means of strengthening the institutional framework for sustainable urban development and housing, and should assess and redefine the governance structure of UN-Habitat and of its strategic development partners within the context of the new development-related thinking;

(e) Call on Governments and all Habitat Agenda partners to promote enhanced participation in Habitat III and to continue providing financial contributions in support of the participation of representatives of developing countries;

(f) Encourage Governments, in collaboration with the Habitat Agenda partners, including the United Nations system, to consider enhancing the implementation and the review of progress made in the implementation of the Habitat Agenda and the Istanbul Declaration on Human Settlements, the Declaration on Cities and Other Human Settlements in the New Millennium, and other international goals relevant to sustainable urban development at the national level, including through development cooperation frameworks and participatory learning and sharing approaches;

(g) Decide, in follow-up to General Assembly resolution 65/165, paragraph 15, to integrate into the preparatory process for Habitat III the two themes of "housing finance systems" and "sustainable urbanization", previously suggested as topics for high-level events of the Assembly, in order to save financial resources and prevent duplication.